OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 8 September 2021

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

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ECONOMY AND FAIR WORK COMMITTEE
3rd Meeting 2021, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

*Alexander Burnett (Aberdeenshire West) (Con)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Fiona Hyslop (Linlithgow) (SNP)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
Lorna Slater (Lothian) (Green)
*Colin Smyth (South Scotland) (Lab)
*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Chris Brodie (Skills Development Scotland)
Maggie Chapman (North East Scotland) (Green)
Lisa Pattoni (Skills Development Scotland)
Nora Senior (Enterprise and Skills Strategic Board)
Mairi Spowage (Fraser of Allander Institute)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

Committee Room 1

Scottish Parliament

Economy and Fair Work Committee

Wednesday 8 September 2021

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Claire Baker): Good morning and welcome to the third meeting in 2021 of the Economy and Fair Work Committee.

I welcome again Maggie Chapman. Although she is not a member of the committee, she is attending for the evidence session.

Our first item of business is a decision on whether to take items 3 and 4 in private. Do members agree to take those items in private?

Members *indicated agreement.*

Employment and Skills for Recovery

The Convener: Our second item of business is an evidence session on employment and skills for recovery. I thank all the witnesses for joining us. I welcome Chris Brodie, director of regional skills planning and sector development, and Lisa Pattoni, service development manager, both from Skills Development Scotland; Nora Senior, chair of the Enterprise and Skills Strategic Board; and Mairi Spowage, director of the Fraser of Allander Institute.

Today's evidence session will enable the committee to consider issues to do with business recovery, with a focus on employment and skills. The evidence will inform the committee's input to the Scottish Government's budget for 2022-23.

I will start the questioning. The paper from Skills Development Scotland says that

"job-related training in Scotland has steadily declined over the last 15 years".

"Scotland's Future Skills Action Plan" also makes that comment. I ask the witnesses from Skills Development Scotland to talk about the reasons why that has happened and where the responsibility for that decline lies.

Chris Brodie (Skills Development Scotland): You are right that the levels of in-job training that has been undertaken by employers over the past 15 years have fallen. There are a number of reasons for that.

Responsibility is primarily on employers when it comes to upskilling their existing workforce. Over the past three or four years, we have been talking about the critical importance of training the workforce as an important part both of businesses' training strategies and of Scotland's skills strategy. It is clear—the pandemic has made it very clear—that the labour market is going to continue to change at a very fast rate. As a result, people are likely to face multiple career changes throughout their working lives. That increased focus on creating the conditions whereby employers can invest in employees and training is available for individuals to upskill will therefore be really important.

The Convener: The paper from Skills Development Scotland set out a number of strategies and action plans. Can I have confidence that those will make the changes that are required? There has been a steady decline over a period. How can that decline be reversed? For example, are there enough incentives for businesses and employers, and is there enough infrastructure to support them in retraining,

reskilling and offering their workforce those opportunities?

Chris Brodie: I will allow colleagues to come in in a second, as I can see that Lisa Pattoni and Nora Senior want to speak.

I think that there are three dimensions to that. The first dimension is the recognition that the primary responsibility for training employees lies with employers. It is important that employers recognise the value of that investment in supporting their own growth.

Secondly, there are lots of terrific examples of our college and university system flexing to provide opportunities for in-work training. In the college sector in particular, that has been one of the hallmarks of work before and indeed during the pandemic.

The third dimension, as you rightly said, convener, relates to the availability of training and upskilling opportunities. In the past four or five years, we have seen the introduction of the flexible workforce development fund, which allows employers who pay the apprenticeship levy to reuse some of that resource to upskill employees.

We have also seen the adoption of a transition training fund in the north-east in relation to the downturn in oil and gas a number of years ago. That has now been mainstreamed. The Scottish Government has invested significant resources in transition training, which will allow people to switch careers.

It is important to recognise employers' significant use of the apprenticeship programme in Scotland to upskill existing employees.

Nora Senior (Enterprise and Skills Strategic Board): I will give the employer's point of view. Businesses in Scotland have traditionally been worse at investing in training than their international competitors. That has gone on for much longer than 15 years.

We have continued to invest in practical skills for employees. The decline is happening in upskilling and reskilling, as Chris Brodie mentioned, and also in key leadership skills. We have fallen behind on leadership skills because businesses have not recognised the need to enhance management and leadership skills as they have grown, or perhaps they have not had the knowledge and resources in digital skills that are right for their business.

We need to encourage businesses to invest more in their human capital—their people—in those areas, and we need to be able to incentivise them and give them the opportunity to be able to recognise the benefits of the type of training that would empower their workforce.

The Convener: I go back to Chris Brodie. I recently had a conversation with the Open University, which said that uptake of their courses had increased—it said that it had been quite encouraged by individuals looking to retrain and reskill. We are talking about a reluctance to invest, or a lack of recognition of the importance of investing, among businesses. I asked whether the infrastructure around this area is enough to support businesses, but is there also a cultural issue in Scotland around devaluing adult and lifelong learning? Have we lost that? From memory, that was a driving force when the Scottish Parliament was first established, but that seems to have slipped over the lifetime of the Parliament.

Chris Brodie: The importance of upskilling, reskilling or lifelong learning—whatever it is called—has never gone away. Over the past five years, we have all recognised across the skills system that that needs a strong and renewed focus. The pandemic has caused huge challenges in the labour market and exacerbated some of the trends that were under way prior to the recession. The retail sector has shrunk considerably in a short period of time, and it may not recover to where it was before. It is really important that we ask ourselves how much of the £1.8 billion that we invest in post-16 education—which does not include what employers invest—we should focus on upskilling and reskilling.

That is not to say that we have got it wrong in the past; it is about recognising that the challenges that we now face and the challenges that we will face over the next five to 10 years are significantly different. We need to ensure that we are constantly calibrating where we invest.

I think that investment in upskilling and reskilling will be a dominant feature of the conversation in the skills system over the next five years.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I apologise if my link breaks up; I have been having problems this morning.

I refer to the point that we have just spoken about and to the Scottish employer skills survey. The numbers suggest that, between 2011 and 2017, the number of employers that provided training to their staff over the previous 12 months moved from 73 per cent to 71 per cent. We then had a major drop in 2020 to 59 per cent. Did Covid-19 create that blip in training? If it was not Covid, what was it? Over many surveys, the number has consistently bounced around the 70 per cent mark. Is there an underlying reason for the drop in 2020? I will ask Mairi Spowage that question, as she has not spoken yet.

Mairi Spowage (Fraser of Allander Institute): It appears to be linked to Covid, because a lot of

businesses pivoted to trying to survive. Some of the detail is interesting, because employees and employers had to adapt their businesses in order to meet customers' needs in a different way during the pandemic, which may well have included the adoption of new skills on the job, just perhaps not in a formal training environment.

The employer skills survey is interesting, because it tells us a bit more about the types of skills that employers feel are not necessarily being provided by the people who are applying for their roles. Although some of the skills are technical, operational or specifically relevant for the job, a huge amount of the issues seem to relate to softer skills, such as being able to manage projects or manage your own time and so on. A question for us all in the skills system is how we ensure that employees and young people coming into the labour market in particular have those more rounded skill sets as well as the technical skills or qualifications that they need.

Gordon MacDonald: The survey says that the reasons for not providing training—[*Inaudible*.]—employers said that all staff are fully proficient with no need for training and 22 per cent said that Covid-19 meant that planned training did not happen. The drop-off could be a temporary blip. Could Chris Brodie and Nora Senior comment?

Chris Brodie: I agree with Mairi Spowage's comment—there was a significant drop in 2020 in all sorts of activity, including training activity in businesses. One would hope and expect that that will recover as the economy opens up, but whether that pick-up is consistent across all sectors is a big question.

We need to consider how we invest in opportunities during the recovery period. We expect to see continuing growth in the demand for digital skills in the economy, which Nora Senior referenced, and we expect the transition to net zero to be a big driver of demand for skills. As with all big economic and labour market shocks, what will follow will not be exactly the same as what we experienced prior to the pandemic.

Nora Senior: The drop-off is partly because businesses had to shift in a oner to an online mode of working, which meant that any investment would have been made in digital technology and enabling people to remain connected to one another and to customers and clients. That is where most of the investment went.

As Chris Brodie said, it would have been different across different sectors. Those that were able to continue training online or use digital skills—[*Inaudible*.] Having knowledge of the business environment, I would say that there has been a greater emphasis on communication skills. There will have been a fall-off in practical skills because people have not been able to gain access to the workplace, but those skills will come back. It might be useful for Lisa Pattoni to add some points on the types of training and the metaskills area.

10:15

Lisa Pattoni (Skills Development Scotland): I am happy to make some remarks.

Following on from Mairi Spowage's comments, I think that we are seeing a marked change in the skills that employers are looking for in response to not only the Covid pandemic but industry 4.0 and new and emerging technologies. As has been seen not only in Scotland but in the United Kingdom and internationally, employers are, to some extent, looking away from traditional qualifications towards metaskills and the kind of adaptive expertise that cuts across every occupational area. What they are saying is that they really value metaskills such as team working, problem solving, communication and creativity, and we need to prioritise those wider bundles of capabilities and behaviours in the educational and skills system as well as prepare young people for the jobs of the future by giving them those skills alongside the higher-level skills that we know that we will need for the digital era.

That is really critical not only for young people entering the labour market but for adults moving through the labour market and as industries and occupations emerge and change. We are seeing the emergence of, for example, hybrid roles and adjacent occupations, and all individuals will need a level of flexibility and the ability to recognise that the skills at their disposal can be used in the different contexts in which they find themselves.

As far as upskilling is concerned, I find it interesting that the document that has been mentioned talks about everybody being very proficient, but the literature suggests that we need to develop a new mindset with regard to upskilling and reskilling that emphasises the importance of all of us learning through life.

Gordon MacDonald: As has been highlighted, a lot of businesses had to move online in order to survive. We already knew that 150,000 information technology job vacancies existed in Scotland, the United Kingdom and the European Union and had done so for a long number of years. Has Covid had any other impact on the labour market that we have not yet touched on?

Mairi Spowage: To a certain extent, we still do not know what Covid's overall impacts will be on the labour market. With the furlough scheme coming to an end at the end of the month, a sizeable proportion of people who have been on furlough throughout the summer might be

released, and some of the shortages in the hospitality industry could be sorted out by that correction.

However, we just do not know as yet, and I suspect that some of the wider structural challenges in our labour market, such as the supply of labour with sufficient or the right skills for posts—or just overall supply in general—will remain. For example, Scotland's demographic issues, the outlook for the working age population and the interruption to what would have been more normal migration flows because of the UK's exit from the European Union have still to play out in our labour market as it adjusts to the post-pandemic new normal that we are all waiting for.

As I have said, I do not think that we know quite what the impact will be, but in certain parts of Scotland, there are huge challenges with supply of not only labour itself but labour with the right skills for the roles.

Gordon MacDonald: Does anyone else want to come in on that?

The Convener: I propose that we move to Jamie Halcro Johnston, if that is okay, as his questions link to the discussion with Mairi Spowage.

Jamie Halcro Johnston (Highlands and Islands) (Con): First, I believe that Chris Brodie wanted to come in on the previous discussion. I also note that the second part of my question was going to be about the impact on the availability of labour.

I think that everybody accepts that the furlough scheme has been very important, but, as Mairi Spowage said, it will end in the autumn. That causes concern for some but, from speaking to businesses, I know that some feel that labour shortages have increased because people are still on furlough. Jobs are being protected, but there are shortages elsewhere.

Mairi Spowage has covered the issue from her perspective. Would Chris Brodie and Nora Senior like to comment on the importance of the furlough scheme and how it might be impacting on labour shortages?

Chris Brodie: You are right that the coronavirus job retention scheme has been a hugely significant intervention that has protected jobs. At its peak, almost three quarters of a million people in Scotland were on some form of furlough. The latest figures show that that number has dropped significantly to about 141,000, as the economy has begun to open up. About half of them are on a form of flexible furlough, so they are doing some work. Given how the numbers have fallen over the past 12 months, we anticipate that that number will have continued to fall over the summer months.

Although it is hard to be clear on specific numbers, it is clear that some people will not go back to their jobs when the furlough scheme ends—

The Convener: We are losing the connection to Chris Brodie. I will bring in Nora Senior to comment on that point.

Nora Senior: I will reiterate Chris Brodie's points. I think that the impact of people being released from furlough will be skills shortages in certain localities and regions of Scotland. There will be job vacancies, but people will not be in the right locations to take up the opportunities. That is a key aspect to consider.

At the end of the furlough scheme, there will be opportunities, through the use of technology, for people who live in rural areas. We have become more used to dealing with online forms of conducting business, so remote working will become more of a possibility for people in rural areas. Such issues need to be explored. Businesses have got used to flexible and online working, so there will be more of a mindset in which different ways of working are considered, which will present possibilities that businesses probably will not have explored before.

The main issue for me is that, when people come off furlough, vacancies will be in the wrong places in relation to where people in that demographic are based.

Jamie Halcro Johnston: Some of the problems with remote working have been highlighted today. As someone who joins meetings from Orkney, I am always terrified that it will be me who loses connection, so I have huge sympathy with Chris Brodie and am glad to see him back.

I will let Chris Brodie back in. He can either finish what he was saying or answer my next question. The need for change and what that means has been raised as an issue, so the first question that I was going to ask has been fully answered now. In relation to having the right skills in the right place and ensuring that people with those skills are able to work online from home, what does the Scottish Government need to do to meet that demand? How should it better facilitate home working, ensure that skills are in the right place and encourage people to retrain where we need them?

Chris Brodie: I will begin by finishing what I was saying before I was cut off. I was making the point that not everyone will go back to the job that they had before they were on furlough. There are a number of underpinning reasons for that. We have seen lots of evidence of people taking the decision to leave the labour market. We have heard the phrase "the great retire". Businesses might not open up, so there might not be jobs to

return to, and individuals might decide to change career or find another job. However, it is important to note that the labour market that people will be looking to go back into after furlough, at the end of this month, is much stronger than it would have been 18 months ago.

On the question about what we need to do to respond to the circumstances, it is a trite point, but there is no single answer, and we have heard some of the responses in that regard today. For me, there are four or five big areas of policy on which we need to focus. One area is a continuing focus on young people and their transitions into the labour market and equipping them with the skills for the economy of the future, not the economy of the past. A second area is about ensuring that we have the right measures that allow people either to upskill in their jobs or to switch careers. The adoption of the national transition training fund and the green jobs workforce academy are important moves in that direction.

We also need to think hard about how we reconnect people who are not working with opportunities. Yes, there are significant skill shortages at the moment, but around three quarters of a million people in Scotland are economically inactive and many of them could get back into work with the right support from the state and from employers.

The final element for me, which we are thinking about but which will become more important, is the whole agenda of talent attraction. Yes, we absolutely want to ensure that people in Scotland are getting the right skills for jobs in Scotland, but we also need to think hard about how we bring people into the country to fill jobs that are not just at the bottom end of the labour market, but are highly skilled, such as jobs in the digital technology and financial services sectors. That is important, too.

The Convener: Does Nora Senior want to come in? Jamie Halcro Johnston suggested that you might want to comment.

Nora Senior: I will add a couple of practical suggestions. Given that we have seen the fragility of our technology even this morning, we need investment in 5G and in robust technology that can handle the online contacts that we need. We need housing, to move people from those areas where they are currently to the areas where jobs are. We also need the transport infrastructure to move people around the country so that, where there are vacancies, we can easily get them to those jobs, or to colleges or universities where they can access the upskilling, reskilling and training that they need. Mairi Spowage wanted to comment as well.

Mairi Spowage: I absolutely agree with Nora Senior. Infrastructure investments to facilitate people being in the right places or fulfilling roles are really important. Particularly in rural areas, housing is a massive issue in relation to economic resilience and being able to keep young people in an area, so that is a really important policy area.

I have a couple of further reflections. I have a concern about the experience that young people have had at school and university in the past couple of years. Alongside achieving qualifications, we are trying to get young people ready for the labour market of the future, as Chris Brodie said, and there are issues around the human capital development that might be lacking, because of a disrupted period of learning and experience at university and college. Therefore, there might be a wider point about softer skills, because young people who are entering the labour market are maybe not getting the same experience from graduate programmes and apprenticeships as they got in the past. That might be something to look at in relation to how we support people to develop that human capital.

Finally, there is also an issue about employability services and their link up with the skills system. Obviously, Scotland now has more powers around employability, which the Scottish Government will seek to use. How do the employability services link up with the skills system to ensure that those people—some of whom are the inactive people that Chris Brodie mentioned—can retrain to get the right skills and are helped to find a suitable role? The link between skills and employability is really important.

10:30

Colin Smyth (South Scotland) (Lab): I will follow up on a point that was touched on earlier by Nora Senior, to whom I first direct this question. Do particular geographical parts of Scotland face skills shortages? If so, what are those areas, and to what extent is it due to the fact that, until recently, we imported a lot of those skills?

Nora Senior: Sectors affected include tourism and hospitality, particularly in the north, and construction in certain areas of the country. Gary Gillespie, as the chief economist, has produced a very useful piece of research around demographics and the changing patterns of where work is and how people have moved during the pandemic. That might be a useful reference for the committee.

Both Brexit and Covid have impacted certain sectors, including the ones that I mentioned. However, digital skills is one of the spheres where we are perhaps more exposed. We are now more

used to working online. For many digital and comms companies, that opens up the competition from international markets for pieces of work to be undertaken anywhere in the world. We are still lagging behind our international competitors in our focus on digital skills. That goes for the whole of Scotland; it is not place specific.

Some of the other spheres where there are deficits, or a lack of employment, are sector specific around tourism, hospitality and agriculture. I am sure that my colleagues will mention other spheres.

Chris Brodie: Nora Senior has covered a number of the key points that I was going to make. We are seeing significant recruitment difficulties in hospitality for chefs and service staff, particularly in rural areas.

The food and drink sector is facing significant challenges, whether those are around seasonal agriculture, meat processing or a shortage of knife skills. We also know that the road haulage sector is facing significant challenges—that is partly down to Brexit—as is the construction sector. As Nora Senior mentioned, we are also seeing the continuation of pre-Covid issues in the shape of recruitment difficulties in health and social care and the digital economy.

The point to make is that there is no single reason why a labour shortage is emerging in particular sectors. In some cases, it is down to an ageing workforce. In some cases, sectors were facing recruitment difficulties prior to the pandemic. In many cases, they are sectors that were more reliant than average on using EU labour to support their workforce.

On the approach that SDS is taking, I have a team of sector managers who work across 14 or 15 different industry sectors in Scotland. We are picking up information on where those specific skills shortages are and are looking to work with industry on how we shorten recruitment and training chains into the industry.

We are also keenly aware of the challenges in rural areas. I have been part of the south of Scotland senior officers group, which meets weekly on a Tuesday morning, to understand what is happening in the south of Scotland economy and labour market. It is really interesting that we are seeing some bold moves from employers to bring people into their workforces. For example, they are offering different terms and conditions, better wages, golden hellos and loyalty bonuses. In the immediate future, I therefore think that we will see moves from employers to try to secure their supply chains and staff.

Colin Smyth: That is interesting. I will not abuse my position by pursuing the south of Scotland aspect today, but I may come back to that.

I put the same question to Mairi Spowage. In addition, perhaps she can say whether the geographical areas that are affected by the skills and labour shortages are the same areas that might have been disproportionately impacted by the pandemic.

I know that, at an early stage, the Fraser of Allander Institute carried out some work on the disproportionate impact of the pandemic on rural areas. Are those areas now facing a double whammy, given that they have been hit by the pandemic and are now experiencing skills shortages? Has the position changed since that piece of work was done? I know that it was undertaken some time ago.

Mairi Spowage: We have continued to look at that, partly through the lens of ambitions around levelling up and the impacts of the pandemic. The position has not really changed, given that tourism and hospitality were hit so hard during the pandemic and continue to operate with a reduced capacity even now, when a lot of restrictions have been removed. It is still the case that those areas that are more dependent on those sectors are likely to have been hit much harder.

Of course, we are getting more information all the time. Once we see what happens when furlough ends, we will get a better understanding of the long-term impacts on productive capacity in different parts of Scotland.

In rural areas, tourism and hospitality businesses were more dependent on EU labour to help to fill vacancies, so, in a way, there is a double whammy. Businesses might have been hit harder by the pandemic and, in addition, as things open up and get better, they might have less capacity to grow as we would like them to grow in order to support the economy, because they cannot get the supply of labour that they need now, as a result of our having left the EU.

Social care is another sector that was particularly dependent on EU labour. Obviously, that sector has been in the news for a lot of reasons in the past couple of days, with regard to how we fund it appropriately. A big issue in social care concerns terms and conditions, salaries and so on, but some of the issues are simply about the supply of people with the appropriate skills who wish to work in the industry. Again, in the past, the gaps have been plugged through EU labour. I suppose that there is a bit of a double whammy for those areas whose economies were dependent on tourism and hospitality in particular.

Fiona Hyslop (Linlithgow) (SNP): Good morning. I want to look ahead and cover the topic

of just transition, as well as demography and labour issues.

It was very welcome to see the Scottish Government's document "Just Transition—A Fairer, Greener Scotland: Scottish Government response", which it published yesterday in response to the just transition commission's report. There is obviously a big challenge in ensuring that we have the skills that we need for the transition, and that a just transition takes place. I was pleased to see that there is a skills guarantee agreement in the just transition response. That is good, but my concern is how we ensure that we have the appropriate skills, at scale, for what is required.

Perhaps the witnesses—Nora Senior, in particular—can consider aspects such as working with employers, industrial training boards and our skills provision. Who is taking responsibility for mapping the existing skills that many of our energy workers have in order to move them into new sectors? Is there a sense of ownership of that? To what extent is it being left as almost a free market operation? What changes are needed to deliver that in the future?

Nora Senior: That is a good question. The Enterprise and Skills Strategic Board looked at reinvigorating the role of the industry leadership groups in the whole enterprise and skills system. The board wanted to give those groups the task of mapping the assets in their sector in order to gain an understanding of the type, number, location and capability of those companies.

I think that ILGs, in a new invigorated role, can play a bigger part not only in identifying skills shortages but in using business-to-business contacts across their whole infrastructure, or framework. They can look at how business might create its own training programmes and feed into colleges and universities to support and enable the generation of the skills that are needed.

One of the areas that we need to look at is how we use existing structures such as the enterprise agencies and the industry leadership groups to map out and identify the skills that we need. We need to cross-reference, if you like, the knowledge of each of those groups. The work should be private sector led—it does not all have to be led by Government or involve public money; we need to rely on industry to fend for itself in these areas, supported by the further and higher education system.

We should use the existing infrastructure and framework to identify the required skills and work with colleges, universities and private sector training providers to identify a route map to the skills that we need for the future, which will change and evolve on an on-going basis.

Chris Brodie and Lisa Pattoni could say something in response to your question, as they have done a lot around the climate emergency and can say how they see the skills mapping being done in that regard. They could also say something about the work that has been done on the south-east Scotland academies partnership.

Chris Brodie: The transition to net zero will be the dominant economic driver over the next 15 years—it is a 15-year programme of work. We know the direction that the economic investment will flow in the first five years of that transition: it will involve decarbonisation of energy and transport and making our houses and other buildings energy efficient. The approach that we have taken in the "Climate Emergency Skills Action Plan 2020-2025" is to focus on those opportunities, which are not the only ones that present themselves. We are asking whether we have a clear understanding of the specific skills that will be needed to support that transition and whether we are currently investing in the right places in support of that.

I work with the climate emergency skills action plan implementation steering group, which is chaired by Professor Dave Reay from the University of Edinburgh and includes representation from Scotland's colleges and universities, the Scottish Funding Council, enterprise agencies, trade unions and Skills Development Scotland ourselves. That group is wrestling with those key questions.

We need to know where the demand for skills is likely to impact. It is important to realise that the transition to net zero will drive demand for skills in a number of ways. There will be jobs that are already being done, such as town planning or engineering, that more people will need to be trained to do; there will be jobs that will be affected by the transition to net zero, a classic example of which is the heating engineer who will have to move from fitting gas boilers to fitting heat pumps; and there will be jobs that do not exist yet but which will emerge as technologies develop over the piece. That will involve effort beyond industry, Government or colleges and universities working on their own. Over the next five years and beyond, there needs to be collaboration to understand where jobs will be, what skills will be required and how we can ensure that we get everything in place.

Fiona Hyslop: We might not know what all those future jobs might be, but we certainly know what some of the more immediate ones are. Who is taking responsibility for the mapping of the skills that, for example, oil and gas industry workers have, which could be translated into the future of renewable energy? Who is taking ownership of ensuring that that happens?

With regard to retrofitting, which you mentioned, we do not need to ask what will be required, because we know what will be required. Again, who is taking responsibility for ensuring that we have not only the skills base that we need but the volume of workers that we will need to deliver what was in the programme for government yesterday?

Chris Brodie: On the demand side, the responsibility is pretty dispersed. We are working with colleagues in OPITO, in the north-east, to look specifically at what skills workers in the oil and gas industry have that could be redeployed; we are working with Glasgow City Council to look at some of the specific skills requirements that flow from its retrofitting programme; and we have a programme of work under way across SDS and the SFC to look at what we know and, critically, what we do not know. There is a strong commitment from the Government and its agencies to ensure that we have measures in place on the demand side.

10:45

As for how we ensure that those skills requirements are met, I would argue that a dispersed response is required. The Scottish Funding Council and SDS are deploying national transition training fund activity, and we have also launched the green jobs workforce academy, which identifies immediate opportunities, including those involving training.

Our college and university sector has a big responsibility, too. I am not laying that on the sector; it recognises that the responsibility is there, and it is being active in the climate emergency skills action plan to ensure that the available training opportunities match the opportunities in the labour market.

Fiona Hyslop: On the issue of demography—and differentiating between labour shortages and skills shortages—what analysis has the Fraser of Allander Institute undertaken of Scotland's pre-existing pre-pandemic demographic challenges? What are your forecasts for future labour availability? To what extent are we focusing on skills when we should be focusing on labour issues?

Mairi Spowage: Both will be issues for the Scottish labour market in the future. We know that, pre-pandemic, there was already a mismatch between the skills that we needed and what we had in the country, and research suggests that that can be a reason for poor or sluggish productivity growth. That labour in Scotland did not have the skills that employers needed and that there was a mismatch in that respect was already an issue.

We are also concerned about the demographic outlook, because it looks as though our working-age population will fall as we move forward. Some of that is due to the outlook for migration that we had prior to Brexit; even then, the situation was not good, and now, with Brexit and the disruption in migration flows, the outlook is even worse, with particular impacts on certain parts of Scotland. Although the outlook for Edinburgh and its surrounding areas, for example, is for even the working-age population to increase, the outlook for the west of and rural Scotland is pretty poor. However, it is worth saying that those are projections of previous trends. In other words, that is what we have seen in population movements in Scotland over the past 10 years or so, and what policy makers can do is think about policies—in, say, housing, as we have already discussed—that might help to reverse that decline.

The current projections produced by the Office for National Statistics and National Records of Scotland are already not great for Scotland, and because they do not take into account the policy disruption caused by Brexit, the outlook is likely to be worse than that and to be particularly bad for certain parts of Scotland.

Fiona Hyslop: I should perhaps declare an interest as the representative of the most populous constituency in the whole of Scotland—I have more constituents than anybody else. However, I am very concerned about the demographic outlook.

Perhaps I can get a final word from Nora Senior on future investment by employers and on Scotland's position as an attractive place for cutting-edge companies to come and do business or make future proposals in. What is the outlook for not just demography but skills? Do you have an overview of the future that you want to share with us?

Nora Senior: On Scotland being an attractive place to work in, we should remember that competitor countries still look at our skills system as being if not excellent then the best in class in a number of areas. Indeed, our workforce has more qualifications than those in most other competitor countries. It is highly skilled, and its ability to flex into other areas will provide the incentive for potential inward investors to look at Scotland as a place to come and stay.

More work could be done with Scottish Development International, in partnership with VisitScotland, to promote Scotland as an attractive place to live and work in, and the Government could do more to give an indication of its ambition in certain areas, such as net zero and life sciences. If we have a strategy to identify priorities, businesses will be much more confident in investing in sectors and places where they feel

that the Government is fully supportive, because that de-risks their investment and focus.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Skills shortages are not a new thing. Back in the sunlit days before Covid and Brexit, a number of sectors were under pressure—IT perhaps being one of the most obvious. If we compare the skills shortages then with those that we have at the moment, have new sectors come under pressure because of skills shortages? If so, is it possible to identify whether the cause is Brexit or Covid? That question is for Chris Brodie.

Chris Brodie: That is a great question, but it is difficult to answer definitively. One of the features of what has happened over the past 18 months has been the interplay between Covid and Brexit; in some respects, they have amplified each other and in others—not in many places—they have cancelled each other out.

In answer to the specific question whether the places where we are seeing skills shortages are the same as they were before, I say that, by and large, they are in similar places. For example, the hospitality and food and drink sectors struggled to recruit, and the industry has been concerned about road haulage issues for a long time prior to the pandemic. We are seeing a concertinaing of recruitment activity and we are seeing change in the labour market—which we would normally expect to see over five years—taking place in a very short time.

Some of the labour shortages at the moment are down to firms reopening quickly and being hungry for labour. There is also evidence to suggest that, during the pandemic, lots of EU nationals went back to their home countries and have not been able to return. However, we are also beginning to see emerging skills shortages that are the results of change in the demand for skills in the wider economy, rather than being related to Brexit or Covid. We could therefore argue, with some justification, that some of the pressures around the net zero transition are about change in the economy, rather than about either of the two external shocks.

Colin Beattie: Would it be correct to say that Brexit and Covid have accelerated some of the changes, so that the skill shortages that we are seeing now would have come anyway, but maybe further down the line or more gently?

Chris Brodie: Brexit and, in particular, Covid, have driven a pace of change in the economy that nobody anticipated prior to the pandemic. The fall-off in high street retail and the growth of online retail, which were expected to take place over a five-year to 10-year period, have happened in 18 months. The challenge around labour and skills shortages is complex: some of it is down to workforce demographics, some of it is down to how attractive—or otherwise—sectors are for people to move into, and some of it is down to the Covid effect.

I hate to say it, but it is a phrase that a colleague of mine uses all the time: it is called the labour market for a reason. We are seeing a mismatch between people's skills and availability and businesses' hunger for staff, at the moment.

Colin Beattie: I invite Nora Senior to comment.

Nora Senior: One of the main areas where we previously had, and still have, a deficit is software, digital and technology skills. That is partly because we do not have in great enough numbers the teachers or lecturers who can teach those skills to the generations that are coming through or to the people who are upskilling and reskilling.

That is a significant challenge. Anyone who has software engineering skills is immediately snapped up by industry rather than moving into an education environment, which means that there is always a lapse for those who are teaching the skills in an education or academic situation in that they are perhaps teaching technologies that are redundant or outdated when compared to those that employers or industry are using. There is a disconnect—we are out of sync in terms of knowledge exchange to younger people who are moving through the education system. Unless we address that and, probably, provide incentives to get more teachers to bring software engineering technology skills into education at a much earlier stage, we will always be challenged by lagging behind some of our international counterparts.

Colin Beattie: Are we behind other countries in Europe or the rest of the UK on that? Is the problem specific to Scotland, or is it a common issue that everybody is struggling with?

Nora Senior: I will pass that on to Mairi Spowage to think about. From an employer's point of view, I sometimes look to Hong Kong and China, or sometimes even Ukraine and other countries in eastern Europe, to carry out digital work. Those places seem to be further ahead, both in the speed of the technologies—many already have 5G installed—and in the technical competence of the talent that I can find there. It usually comes cheaper than we can get it here, because we have a skills shortage in Scotland and the UK and those sectors can charge premium rates. Therefore, we are already challenging ourselves, if you like. We are missing opportunities, because other countries can do it faster and more cost effectively.

The problem probably is not just endemic to Scotland, but Mairi might have a better perspective on that than I do.

Mairi Spowage: The issue is not unique to Scotland, and those skills are in high demand across the globe. One thing that is different now, following our exit from the transition period, is that the policy solution of attracting people seamlessly from the EU that we relied on previously is now not an option. Obviously, there is now much greater scope for people to move around the EU on the continent. Therefore, I guess that some of the solutions that we have found in the past—we could call them sticking plasters to make sure that we have a domestic labour market that meets the needs of businesses here—are just not open to us any more. At least, it is likely that there will be more friction, or that it will not be as easy for people to relocate here as it was in the past, in particular from the EU.

The challenges are not unique to Scotland, but they are particularly pertinent for Scotland, given our large rural population and rural land mass, and our reliance on hospitality and tourism, for example.

Colin Beattie: Before I invite Lisa Pattoni to respond, I will make one comment that builds on what Fiona Hyslop said. Is it likely that the lack of home-grown skills in Scotland will impact on investment in the economy in general? Obviously, people rely on Scotland being a highly skilled nation, but it does not sound as if we are at the high end, in this area.

Lisa Pattoni: I will add a couple of remarks on whether Scotland is alone in facing the challenges. To follow on from what my colleagues said, I say that I do not think that we are alone.

11:00

However, common to most post-industrial economies is the issue of the responsiveness of the skills system. When technological advancement happens as rapidly as we have seen it happen over the course of the past year, accelerated by the pandemic, there is inevitably a bit of a lag within the education and skills system. Embedding responsiveness into our education and skills systems is therefore a common challenge across the globe.

In aligning our skills system to the accelerating trends that we see in work, we have a lot of advantages and strengths to build on in Scotland, particularly within our workplace learning provision. There have been innovations in workplace learning, with individuals learning in work about the realities of where technologies are being advanced. They are therefore able to develop and refine their skills continually, in alignment with what employers require.

I will also follow on from a previous point that was made about the importance of metaskills as a central feature of what all world economies are looking for. We are in a strong position with regard to that in Scotland, because we have been piloting approaches to embedding metaskills in our apprenticeship system—including in assessment and certification—which the Organisation for Economic Co-operation and Development has highlighted as a significant strength of our system. We can therefore build on firm foundations in relation to inward investment and people looking at Scotland as having a skilled population.

I will pass onto Chris Brodie on inward investment specifically.

Chris Brodie: Lisa Pattoni is right to point out—as was already pointed out this morning—that Scotland's skills base is very attractive to inward investors. Scotland's record in attracting inward investment over the past fifteen years has been exceptional. There are a number of things that we do differently in Scotland—

The Convener: I am afraid that we have lost Chris's connection.

Alexander Burnett (Aberdeenshire West) (Con): I alert members to my entry in the register of members' interests, as an employer across a number of sectors.

My first question was for Chris Brodie; I do not know whether he is back.

The Convener: I invite Alexander Burnett to direct his question to Lisa Pattoni, who is also here from Skills Development Scotland. If Chris comes back, we can direct it at him, as well.

Alexander Burnett: My question is to seek clarification on the remit of SDS. Mairi Spowage touched on the care service. One of the biggest shortages is of nearly 5,000 nurses across Scotland, with nearly 10 per cent of that shortage being in NHS Grampian. With your regional and sectoral hats on, what is the remit of SDS in tackling that particular shortage? If you do not have a direct role, what interaction do you have with bodies that do, in order to make sure that you are not competing and that there is joined-up thinking?

Chris Brodie: I am back now. I managed to catch that question. I apologise for the connectivity issues, which are outwith my control.

That was a great question. I will answer it in relation to engagement in the north-east as well as to engagement with the health and social care sector.

Our work in SDS is about working with partners on regional and sectoral bases. About three years ago, I was one of the authors of a regional skills strategy for the north-east. One of the issues that the strategy highlighted was that there are

challenges in recruitment across a wide range of sectors in the north-east—including health and social care—that do not pay the premium of the oil and gas sector.

I have a sector manager colleague who works directly with Public Health Scotland and NHS Education for Scotland. Similar to what we do for other industry sectors, we look at how the demand for skills is changing and growing. That insight is fed into our apprenticeship demand assessment, and is shared with colleagues in the college and university sectors. As Nora Senior knows, we also work closely with colleagues in the Scottish Funding Council to ensure that we align the volume of provision with where we see needs emerging.

The issue in the north-east is complex, through people and housing dynamics. Very often, one of the reasons why there have historically been labour shortages in some sectors in the north-east is that people at the lower end of the labour market often cannot afford to buy property and live in the north-east. There is a complex picture, so we work in partnership. The point to make is that not every skills shortage necessarily has a skills issue at its root.

Alexander Burnett: My second question is for Nora Senior and is about furlough coming to an end. Although I know that the question has been answered to some extent already, a lot of the answers have been hypothetical—about what might happen or what is expected. However, has any work or mapping—as, I think, it has been referred to—been done in relation to those who are currently on furlough and who will be leaving it at the end of the month, or is it the case that we simply have to wait and see what happens when the next unemployment figures turn up?

Nora Senior: In fairness, I note that I think that Gary Gillespie has been mapping where furlough is and which sectors have been affected, and Mairi Spowage's team has probably been helping on that. To some extent, it will be down to individual businesses to look at their business projections and at how they will manage to survive and grow—or not—within the pandemic. I could not say, hand on heart, that business across the board has a handle on itself in relation to what its own businesses cases are going to be. It is, therefore, slightly a case of wait and see.

Although employers are trying to hang on to their people as best they can, the financial pressure on profit and loss statements is such that it will come down to individual businesses making decisions about how much they can sustain and what they need to do to make sure that they are viable concerns.

Mairi Spowage might have something to add on mapping.

Mairi Spowage: The largest sector that is still using furlough is accommodation and food services. The latest statistics that we have are for the end of June. Obviously, more employer contributions are expected throughout July and August, so we would expect a sharp fall-off as we go into July. However, we still see a significant number of people on furlough in the accommodation and food services sector, and in arts, recreation and culture, where some of those sorts of businesses might be classified.

There are also still significant numbers of people on furlough in construction and other businesses. As Chris Brodie said, some of those cases are flexible furlough. It is difficult to say what might happen when the furlough scheme comes to an end. We see shortages in construction and hospitality in parts of the country where people are still on furlough. We will therefore only know what the long-term impacts might be after we see how that shakes out and whether some people are released from employment and are able to seek other employment, which might deal with some of the shortages.

Alexander Burnett: My final question is for Mairi Spowage and is about labour shortages, which I hope does not stray too much from skills shortages. The matter has been touched on already; Mairi has mentioned productivity. We have spoken before about how cheap imported labour has prevented or suppressed wage increases, and about how it has been a substitute for investment in automation. It has certainly been a long time—it seems that it was almost pre-Covid—since we saw prototypes of robots picking raspberries. What have you seen in the past year in relation to investment in automation to address some of the problems?

Mairi Spowage: Obviously, the situation is different in different sectors. However, based on what businesses are telling us, there has been a huge amount of investment in different ways of working—as we are doing, here, at the moment—pretty much across the board. Other adaptations that businesses have made have been in how they deal with their workforce in relation to the flexibility that they give them and those sort of things, which are important. Although they are less tangible investments, they are important for improving productivity in the workforce, given the impact that management practice can have on people's productivity. The focus has mostly been on that.

There is evidence from this year that the Chancellor of the Exchequer's announcement in the budget of the super-deduction for plant and machinery investment has driven some investment

in businesses, but it is too early to say what the impact is.

Obviously, the Government—principally the UK Government, in this case—might look for other incentives to allow businesses to invest in research and development or other types of investment to allow them to develop new technologies or products and services for their customers. It is a bit early to say what the impact of that investment might be and how much impact it might have on productivity in the long run.

Michelle Thomson (Falkirk East) (SNP): I have a couple of questions for all the witnesses, which I will run together. First, I will pick up on Colin Beattie's question regarding international skills. Has the Fraser of Allander Institute or Skills Development Scotland undertaken specific recent analysis comparing Scotland's skills system to those of our major trading nations, as set out in "A Trading Nation—a plan for growing Scotland's exports"? In other words, how do we know that Nora Senior's comment that our skills system is looked on as "best in class" is true?

Secondly, I hold a personal view that international benchmarking is necessary for Scotland's skills system. Do you agree with that personal view and, if not, why not?

Mairi Spowage: We have not done any analysis to compare the skills systems or anything like that. One of the key benchmarks when comparing across Europe or the world is the qualification skills level in the population. Scotland always does very well on that measure—we have a highly skilled population in terms of the qualifications that people achieve. For example, we have high percentages of people who achieve qualifications in tertiary education. Whether that means that the workforce has the skills that are required by the labour market is a different issue. As we have discussed, we have a skills mismatch.

Given that it was Nora Senior who made the comment about our being "best in class", I will let her cover why that is.

Nora Senior: When the Enterprise and Skills Strategic Board was first set up, we carried out a piece of work to compare Scotland against OECD countries. The reason for that was to move us from the fourth quartile, which is where we sit on many things, to the upper quartiles or the top quartile. Productivity was one area that we looked at, along with a number of other indicators. The work showed that Scotland has a higher level of qualifications among our workforce. The conundrum for us is why, given that we have such high levels of qualifications and skilled people, we have lower productivity. Partly, that is about skills underutilisation, and it relates to productivity. It means that people are taking jobs for which they are overskilled, which is partly because the jobs are not there in the areas where people have qualifications.

That goes back to Lisa Pattoni's point about the importance of metaskills and the ability to flex and transfer those higher-level qualifications into new types of jobs as well as existing jobs. We have a highly qualified workforce, so the problem is not with giving people education and qualifications; it is with using those qualifications in a way that increases productivity.

Another indicator on which Scotland performs much more poorly than competitor countries is business investment in innovation and automation. To go back to my very first comment, dealing with that issue is about enhancing management and leadership. The area that we sometimes struggle with is the ability and capability of our managers and leaders to scale up businesses. They are trained technically in the knowledge of the product or service that their company sells but not necessarily in how to scale up a business, how to create bigger teams, where to invest, where to look for the types of innovation that might help their company and in good models of workplace practice around fair work. Although we have higher levels of qualifications than many OECD countries, we need to increase the ability, capability and talent of our management and leadership. Then, we should see a greater leap in productivity.

11:15

Michelle Thomson: Does anyone else want to come in on those two questions?

Lisa Pattoni: I would add that, particularly for the skills system and the apprenticeship system, we have been engaging with the OECD to look at how to strengthen the skills system in Scotland, and it outlines some of the impressive developments that we have undertaken in the Scottish apprenticeship system over the past decade. In particular, there have been very good labour market outcomes for learners and there are good levels of employee satisfaction—those are positive areas of improvement. We have increased our apprenticeship numbers. Similarly, we have introduced foundation and graduate apprenticeships within the skills system, which are being well utilised in the education and skills system. One of the successes is that those opportunities are enabling higher levels of skills development and opening that up to people from increasingly diverse backgrounds. The apprenticeship system could be considered to be high performing, particularly with the innovations that we have undertaken over the past wee while.

That is important because, as you know, apprenticeships are developed in partnership, and significantly, with employers. We have developed a new model in which we are developing apprenticeship standards with employees and employers together, to ensure that the realities of the jobs that people will undertake are represented in the learning components of the apprenticeship and that they have a view to the future and what the future of that occupation might be. That innovation is being heralded as important, and it is based on our research and interactions with other more mature apprenticeship systems across OECD countries, such as Switzerland, which helped us to develop that approach. I agree with Nora Senior that there are some significant strengths in our education and skills system.

I have forgotten the second question—my apologies, Michelle.

Michelle Thomson: They were long questions and I ran them together. I merely expressed a view that international benchmarking could be desirable, particularly thinking about Nora Senior's comment about digital technologies and the threat of competition from digital technologies. We might choose not to benchmark internationally across every sector, but we have already discussed doing that in the emerging sectors. I just wanted to see whether, in principle, you agree with the view that international benchmarking is a good thing.

Lisa Pattoni: I think so, yes.

Michelle Thomson: I think that you must have guessed the second area that I want to explore, because it is modern apprenticeships, funnily enough. I am looking at SDS's most recent quarterly report on modern apprenticeships. Since joining the Parliament, I have been looking at the theme of the different consideration that is given to the role of women, whether in business or skills. I worked out that, comparing the first quarters of 2019-20 and 2021-22, there has been a decline in female enrolments from 47 per cent to 45 per cent. I then looked at the figures for my area, which is Falkirk, where there has been a more dramatic fall from 45 per cent to 35 per cent. That led me to consider what the gaps might be in how we are going about getting women enrolled. Does Chris Brodie or Lisa Pattoni have any thoughts about the reasons for that?

Lisa Pattoni: I am happy to make some remarks about that issue. Apprenticeships offer flexible and experiential learning experiences and, as I said before, they open up opportunities for people from a range of different backgrounds, particularly in the case of graduate apprenticeships, older adults and those from underrepresented groups. By virtue of catering to different learning styles, apprenticeships can play an important role in supporting an increasingly diverse workforce.

Recruitment into apprenticeships is primarily the responsibility of the employer, and the uptake of apprenticeships tends to reflect the demographics of the wider workforce of each sector. SDS has produced equalities action plans for apprenticeships and our career information and guidance service and others, and we are taking action to make sure that we have greater engagement between providers and employers, particularly in relation to inclusive recruitment.

We also have stronger partnership working with schools to promote and encourage the recruitment of equality groups and we are improving the signposting of resources for learners, employers or staff who might require any additional support needs to be taken cognisance of.

Improvements can be made and we have an eye to them, but I do not want to miss the opportunity to say that apprenticeships, as we know from research across the globe from countries such as Germany, Switzerland and Austria, can not only provide a pathway for individual skills development but be a useful and positive driver of economic growth and social equality. We have those kinds of things in place to make sure that we make further progress.

Chris Brodie may want to make additional remarks.

Michelle Thomson: We cannot see Chris on the screen. Perhaps his connection has dropped out again.

Lisa Pattoni: He has disappeared.

Michelle Thomson: Nora, I will pick up on Lisa Pattoni's comment that employers drive the take-up of modern apprenticeships and that they therefore have a role in the figures that I outlined for female enrolments. We both encounter systemic issues in relation to the role of women in business and various other sectors; do you have any final reflections on that point before we move on?

You are on silent, Nora.

Nora Senior: I am sorry. That will be the thing that we will all remember—"You're on mute." It will be the catchphrase of the pandemic.

I agree with Lisa Pattoni's comments. In relation to employers, there is still work to be done around women in business, women's start-ups and apprenticeships. The diversity issue is being addressed, but that work needs to be accelerated. One of the benefits of the pandemic is the attitude of most businesses towards flexible working and remote working, which leads to more opportunities for more inclusion for women in business and for

new women's enterprises to start up. Some of the focus of business support needs to go there to stimulate that sector of society.

Michelle Thomson: I have a last wee question for Nora Senior and a general question for everyone. I will run them together.

Nora Senior and I would agree that competitiveness in business is important. The recent Cumberford-Little report, which was commissioned by the Scottish Government, emphasised a shift towards excellence in skills rather than the focus on competence that we have at the moment. To what extent do you agree with those statements in the report?

What is SDS's view on how to best keep the knowledge and skills of Government agencies current in the light of the huge global challenges and changes of Brexit and Covid and so on? Has SDS, for example, instigated its own programme of change for its skills base as we emerge from Brexit and Covid? Those are two separate areas, but I am aware of the time.

Nora Senior: On excellence in skills, I have great admiration for the Cumberford-Little report, whose authors talked a lot of common sense. They were aiming for the inclusion of employers in the co-production and co-design of courses, which would mean that we would have more rounded individuals who would be able to slot more seamlessly into the types of employment that were available. I think that that is a good aspiration to work towards attaining. Cumberford and Little's idea of having employer hubs, through which businesses could be much more integrated into the college and university framework, particularly on a regional economic basis, is to be welcomed. I support that.

Michelle Thomson: I invite SDS to respond my last question, which I appreciate was a slightly cheeky one. I wanted to wind up the session with a bit of fun.

Chris, you are on silent.

Chris Brodie: I apologise. I am having dreadful connectivity issues.

It is a great question. What are we doing to ensure that the skills base of our staff keeps up to date in the light of the challenges that we have seen in the pandemic? One of the teams that I run is responsible for generating insight and intelligence on where the economy and the labour market are now. That is primarily my job, and Lisa Pattoni's team is responsible for understanding the factors that will impact on the economy and the labour market in the future. We have a huge commitment to ensuring that that information does not just sit in our heads but that we cascade it to our front-line staff and across all our teams.

We were recently assessed by the European Foundation for Quality Management, which is an international benchmarking organisation. It looked at the culture of the organisation, and I believe that we were the first organisation in Scotland to get a seven-star EFQM rating. What struck the assessors was our commitment to everyday leadership and staff development.

I do not know whether Lisa Pattoni has more detail to add from her side of the world.

Lisa Pattoni: I have just one point to add. The intelligence and the insights that Chris Brodie talked about are critical and will be the basis for how we think about how we develop our next strategic plan. We are in the process of using such foresight to think about the future of Scotland and Scotland's economy in general, and about the future of work and of SDS as an organisation. We are engaging all staff in that discourse. We are thinking about what that means not just for our products and services but for our people and for us as individuals, which I think is critical. We will, of course, engage with our partners and our key stakeholders across Scotland in developing that strategic plan, because we are committed to making sure that the future of work is front and centre of our work and that we are front and centre of public service delivery.

Michelle Thomson: Thank you very much.

The Convener: I just have time to bring in Maggie Chapman for a question.

Maggie Chapman (North East Scotland) (Green): I thank the panel members for all their contributions this morning; we have covered a wide range of issues.

Following on from Michelle Thomson's questioning, I want to pick up on a couple of issues. We have talked about the fact that a labour shortage is not the same as a skills shortage, and about some of the analysis around that, which relates to house prices, rural-urban splits and so on. There has also been discussion of T-shaped employees versus I-shaped employees and how we support and generate the right approach in that respect. Quite a few of you have spoken about the need to adopt a new mindset, which goes for employers as well as employees.

Many of the responses have focused on what we need to do to get the right skills, the right training and development, and the right infrastructure in place. We have not heard so much about the cultural aspect; employers and employees are people, and I wonder what research has been done—or analysis you have—that would allow us to better understand how we take people with us on the journey. We cannot just say, "You need to adopt a new mindset here." We need to do work on how we take them with us.

11:30

If you have any analysis in that space, from that information, what do the Scottish Parliament and Government need to prioritise in how we look at that, particularly around the clear economic—and, I would argue, moral—drivers for having a diverse workforce that acknowledges the breadth of experience and skills that we can bring to our economy? That question goes first to Chris Brodie and I would also be interested to hear from Mairi Spowage.

Chris Brodie: That is a great series of questions and there is a lot in there, so I will pick on a couple of aspects and allow colleagues to pick up on others. The notion of the mindset needing to be a cultural shift is very important for individuals. For a long time, almost since our inception, SDS has been talking about the need for people, from an early age, to develop a set of skills that allows and supports them to navigate and adapt to a changing labour market.

Just recently, at the request of the Scottish Government, we embarked on a review of our careers service and the support that it offers. I hasten to add that it is not because it is broken; it is highly recognised as a very valuable service, so our challenge is how we make it even stronger. We are focusing on how we deliver careers skills, not just to those young people who are making the transition into the labour market but to people who are in work and who might be looking at a career change. That careers service review will come out with its recommendations at the end of this year. It is looking at issues that we have heard a lot about this morning. How do we embed that culture among individuals from 16 to 60? How do we ensure that they have access to advice that helps them navigate the labour market? How do we ensure that they have access to training for upskilling and reskilling? That is a long-winded way of agreeing with the premise of Maggie Chapman's question.

Mairi Spowage: A lot of research has now been done on the importance of the mindset shift and the impact on productivity of factors such as management practice. There has been more and more focus on that softer side, rather than just on the traditional measures that we use to judge whether we are making progress on the drivers of productivity.

Therefore, the mindset shift and a focus on things that make a difference are important. Part of it is also about having the data and understanding about what makes a difference and what works in achieving the outcomes that we are looking for. Nora Senior might be able to chat more about that with regard to the research that the Enterprise and Skills Strategic Board has commissioned to understand the impact that different interventions in a young person's life and the qualifications that they achieve can have, such as wage premia, on their whole life. The evaluation of policy interventions is important and has to be invested in. It might not give us answers straight away because, by definition, it will take a while to get answers on the impact that an intervention has on someone's life. However, investment in data, appraisal and evaluation of policy across the whole system is important, so that we understand what works and what most efficiently achieves the outcomes that we are looking for.

Nora Senior: That is a really good question on culture change, although, "That is a really good question," is usually my code for, "I really do not have an answer for that, so here is my personal take on it." The example that I will give of culture change is the representation of women on boards. As we know, women are hugely underrepresented on boards. The change was not mandatory; industry voluntarily adopted a policy of having more women represented on boards, particularly among FTSE 100 or FTSE 250 companies. Therefore, the representation of women has improved. Has it improved enough? No, so the debate continues over whether self-regulation is enough. If we do not reach the targets, should further targets be set and should they be mandated? Obviously, the jury is still out on that, but it impacts on what Maggie Chapman said about culture change.

With regard to the enterprise and skills system, for example, there is now a condition for anyone who obtains business support or grants from South of Scotland Enterprise that a commitment to fair work is written into the contract. Companies that are larger, are in specific sectors, or are able to do so, also have a commitment to provide mentoring to other companies that are trying to grow or are in their supply chain. We hope that adding that conditionality will set a precedent, so that adoption of fair work and mentoring practices becomes business as usual, rather than being set as a condition. In order to achieve culture change, leadership has to be shown, but there also has to be a bit of carrot and stick; it is about which follows which. It is a good question and, if Maggie Chapman has a solution to culture change, I would love to hear it.

Colin Smyth: I will briefly follow up on a point that Nora Senior made about the fact that South of Scotland Enterprise now has conditionality around fair work. Why has that policy not been rolled out across Scottish Enterprise and Highlands and Islands Enterprise? In some ways, if one agency is doing one thing but the rest are not doing the same, there is a competitive disadvantage, so the playing field is not level.

The Convener: We will have witnesses from the agencies in front of us next week but, if Nora Senior wants to comment on that, she is welcome to come in.

Nora Senior: I should have said that SOSE is leading on that and was the pilot for considering what business understands about fair work and what words we use to define it. SOSE has been used as the guinea pig to look at best practice, and then the policy will be rolled out across the other enterprise agencies.

The Convener: I am sure that we will come back to that issue next week. I thank the witnesses for their contributions this morning; it has been very valuable to hear their views on the skills and employability agenda.

11:37

Meeting continued in private until 12:24.

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